



Senate

General Assembly

File No. 67

January Session, 2003

Substitute Senate Bill No. 849

Senate, March 25, 2003

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING URBAN AND INDUSTRIAL INVESTMENT TAX CREDITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (g) of section 32-9t of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2003*):

4 (g) (1) The commissioner, upon consideration of the application, the
5 revenue impact assessment and any additional information that the
6 commissioner requires concerning a proposed investment, may
7 approve an investment if the commissioner concludes that the project
8 in which such investment is to be made is an eligible urban
9 reinvestment project or an eligible industrial site investment project. If
10 the commissioner rejects an application, the commissioner shall
11 specifically identify the defects in the application and specifically
12 explain the reasons for the rejection. The commissioner shall render a
13 decision on an application not later than ninety days from its receipt.

14 The amount of the investment so approved shall not exceed the
 15 amount of state revenue that will be generated according to the
 16 revenue impact assessment prepared under this subsection.

17 (2) The approval of an investment by the commissioner may be
 18 combined with the exercise of any of the commissioner's other powers,
 19 including, but not limited to, the provision of other forms of financial
 20 assistance.

21 (3) The commissioner [shall] may require the applicant to reimburse
 22 the commissioner for all or any part of the cost of any revenue impact
 23 assessment, [or] economic feasibility study [used in reviewing the
 24 application] or other activities performed in the exercise of due
 25 diligence pursuant to subsection (f) of this section.

26 Sec. 2. Subsection (j) of section 32-9t of the general statutes is
 27 repealed and the following is substituted in lieu thereof (*Effective*
 28 *October 1, 2003*):

29 (j) The credits allowed by this section may be claimed by a taxpayer
 30 who has made an investment (1) directly only if such investment has a
 31 total asset value of not less than [twenty] ten million dollars; (2)
 32 through a fund managed by a fund manager registered under this
 33 section only if such fund: (A) Has a total asset value of not less than
 34 sixty million dollars for the income year for which the initial credit is
 35 taken; and (B) has not less than three investors who are not related
 36 persons with respect to each other or to any person in which any
 37 investment is made other than through the fund at the date the
 38 investment is made; or (3) through a community development entity.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>

CE *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: See Explanation Below

Municipal Impact: See Explanation Below

Explanation**State Impact**

Allowing, instead of requiring, the Commissioner of the Department of Economic and Community Development (DECD) to be reimbursed for costs associated with revenue impact assessments or economic feasibility studies with regard to the Urban Sites Reinvestment Program could increase costs to the state. Certain assessments or studies could be handled utilizing in house resources and would not result in additional costs. Costs could be incurred associated with impact assessments that would need to be contracted out. The average cost is approximately \$15,000 per project. In addition, the bill allows the DECD to charge an applicant for other costs that are incurred to evaluate a project, potentially resulting in a minimal savings to the state. No projects have been undertaken to date.

The bill also decreases the minimum direct investment needed to qualify for business tax credits under the Urban Sites Redevelopment Program, but does not change the provisions in the law that require the amount of credits to be equal or greater than the amount of state revenue that will be generated by the investment. Therefore, any revenue loss resulting from the tax credits is still expected to be offset by the tax revenues generated by the new investment.

Municipal Impact

To the extent that sites are cleaned up and improvements to properties are made that would not have occurred without the changes made in this legislation, municipalities are expected to have a grand list increase.

OLR Bill Analysis

sSB 849

AN ACT CONCERNING URBAN AND INDUSTRIAL INVESTMENT TAX CREDITS**SUMMARY:**

This bill makes two changes to the Urban Sites Reinvestment Program, under which businesses qualify for up to \$100 million in tax credits for investing in facilities in designated towns or in large projects anywhere in the state that clean up and redevelop contaminated property. The credit equals 100% of the invested amount spread out over 10 years from when the investment was made.

By law, businesses qualify for credits based on the way they choose to invest in a project. The bill reduces from \$20 million to \$10 million the minimum amount a business must directly invest in a project in order to qualify for the credits. (A business can also qualify by investing through a fund if the fund's value is at least \$60 million during the first year the business claims the credits. The bill does not change this amount).

Businesses must apply to the economic and community development commissioner for the credits. The bill lets the commissioner decide if a credit applicant must reimburse him for determining if the project is feasible, estimating the state and local tax revenues it will generate, and any other costs he incurs to evaluate the project. Current law requires the commissioner to charge the applicant for the feasibility study and the revenue estimates.

EFFECTIVE DATE: October 1, 2003

BACKGROUND***Designated Towns***

Businesses investing in new facilities qualify for urban sites reinvestment tax credits if the facilities are located in the 17 towns with enterprise zones, which by law have been designated target investment communities (TICs); 25 "distressed municipalities;" and

the five towns with over 100,000 (all of which have enterprise zones). The DECD commissioner annually designates distressed municipalities based on economic and demographic statistics.

The state uses the TIC and distressed municipalities designations to target economic development assistance at economically distressed areas. Table 1 shows the towns that have one or more of these designations.

Table 1: Designated Towns

<i>Town</i>	<i>TIC</i>	<i>Distressed Municipality</i>	<i>Population Over 100,000</i>
Ansonia		X	
Bridgeport	X	X	X
Bristol	X	X	
Derby		X	
East Hartford	X	X	
East Windsor		X	
Enfield		X	
Groton	X		
Hamden	X		
Hartford	X	X	X
Killingly		X	
Meriden	X	X	
Middletown	X		
Naugatuck		X	
New Britain	X	X	
New Haven	X	X	X
New London	X	X	
Norwalk	X		
Norwich	X	X	
Plainville		X	
Plymouth		X	
Putnam		X	
Southington	X		
Sprague		X	
Stafford		X	
Stamford	X		X
Torrington		X	
Waterbury	X	X	X
West Haven		X	
Winchester		X	
Windham	X	X	

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute
Yea 20 Nay 1